# Annual Financial Report Year Ended June 30, 2008



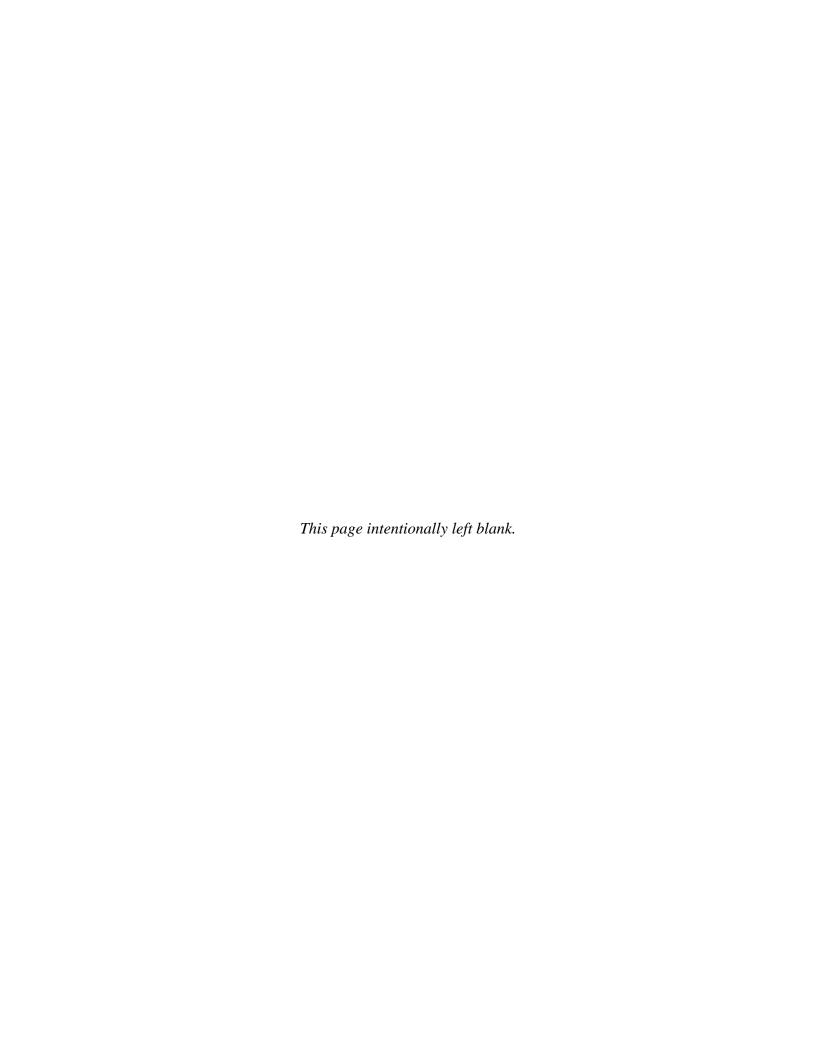
Annual Financial Report Year Ended June 30, 2008

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### **Board of Education**

		Term Expires
Claude J. Basler	President	2010
Gale Yeomans	Vice-President	2011
Dave O'Mara	Treasurer	2011
Cathy Hoppough	Secretary	2009
Timothy Hemenway	Trustee	2008 *
Karen Balice-Gregory	Trustee	2008 *
Lisa Coe	Trustee	2010

<sup>\*</sup> Re-elected to a new four-year term expiring in 2012.



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#### **Independent Auditors' Report**

Board of Education Ionia Public Schools Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ionia Public Schools (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Ionia Public Schools at June 30, 2008, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2008, on our consideration of Ionia Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by the OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the combining, individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Ionia Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grand Rapids, Michigan October 3, 2008

BDO Serdman, LLP

# Ionia Public Schools Management's Discussion and Analysis for Fiscal Year Ended June 30, 2008

As management of Ionia Public Schools (the District), we offer this narrative overview and analysis of the financial activities of Ionia Public Schools for the year ended June 30, 2008. Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: the District-Wide Financial Statements and the Fund Financial Statements.

#### **District-Wide Financial Statements**

The district-wide financial statements are prepared using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term liabilities of the District.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health and whether the District's financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the year. This statement focuses on both the gross and net cost of the various activities which are supported by the District's property taxes, state aid and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various services.

#### **Fund Financial Statements**

The governmental fund financial statements are reported on a modified accrual basis in that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. In the State of Michigan, school districts' major instruction and instructional support activities are reported in the General Fund. Additional activities are reported in Special Revenue Funds, Debt Retirement Funds and Capital Project Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt obligations are not recorded in the fund financial statements.

#### **Summary of Net Assets**

The following schedule summarizes the net assets at June 30, 2008 and 2007.

	2008	2007
Assets		
Current and other assets	\$ 15,712,974	\$ 24,039,778
Capital assets, net of accumulated depreciation	34,711,563	28,219,540
Total Assets	50,424,537	52,259,318
Liabilities		
Current liabilities	7,202,981	7,973,219
Noncurrent liabilities	46,751,399	47,865,945
Total Liabilities	53,954,380	55,839,164
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(5,246,842)	(7,739,321)
Unrestricted	1,716,999	4,159,475
Total Net Assets (Deficit)	\$ (3,529,843)	\$ (3,579,846)

The increase in capital assets, net of accumulated depreciation and the decrease in current assets is attributed mainly to the completion of capital projects from the May 2006 bond issue.

### **Capital Assets and Long-Term Debt**

#### Capital Assets

By the end of the 2007-2008 fiscal year, the District had invested \$59,369,514 in a broad range of capital assets, including school buildings and facilities, site improvements, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$1,781,736 bringing accumulated depreciation to \$24,657,951 as of June 30, 2008.

# Capital Assets at June 30 (Net of Depreciation)

	2008	2007
Land	\$ 331,540	\$ 331,540
Construction in progress	988,394	3,176,723
Land improvements	3,806,627	283,926
Buildings and improvements	25,492,596	21,088,985
Equipment and furniture	2,992,578	2,268,851
Transportation equipment	1,099,828	1,069,515
	\$ 34,711,563	\$ 28,219,540

The increase in capital assets is due to the completion of capital projects that are funded through the May 2006 bond issue.

#### Long-Term Debt

At June 30, 2008, the District had \$48,077,355 in long-term debt outstanding. This represents a decrease of \$989,551 over the amount outstanding at the close of the prior fiscal year. The liability increased by \$300,000 due to the borrowing from the Michigan School Bond Loan Program and due to the arbitrage from the May 2006 bond issue. The liability decreased mainly due to the scheduled principal payments on the bonds and due to the payment made on the retirement contracts payable.

For more detailed information regarding capital assets and long-term debt, please review the Notes to the Financial Statements located in the financial section of this report.

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# **Results of Operations**

For the fiscal years ended June 30, 2008 and 2007, the results of operations, on a district-wide basis were:

	2008 Amount	2007 Amount	Percent Change
General Revenues	Φ 2.226.000	Ф 2.050.270	12.00/
Property taxes levied for general purposes	\$ 2,326,988	\$ 2,058,378	13.0%
Property taxes levied for debt service	3,015,123	2,884,658	4.5
Investment earnings Unrestricted state aid	696,715	1,030,593	(32.4)
Other	19,466,328 281,836	19,484,741	(.1) 84.3
Other	201,030	152,900	. 04.3
Total general revenues	25,786,990	25,611,270	7
Program Revenues			
Charges for services	630,624	685,333	(8.0)
Operating grants and contributions	7,010,869	7,087,145	(1.1)
	, ,	•	• ` ′
Total program revenues	7,641,493	7,772,478	(1.7)
<b>Total Revenues</b>	33,428,483	33,383,748	.1
Expenses			
Instruction	17,619,099	19,188,505	(8.2)
Support services	9,878,428	9,464,780	4.4
Community services	224,765	296,348	(24.2)
Food services	1,228,574	1,205,157	1.9
Athletics	446,745	465,003	(3.9)
Interest on long-term debt	2,199,133	2,242,754	(1.9)
Unallocated depreciation	1,781,736	1,365,719	30.5
Total Expenses	33,378,480	34,228,266	(2.5)
Change in Net Deficit	50,003	(844,518)	•
Net Deficit, beginning of year	(3,579,846)	(2,735,328)	
Net Deficit, end of year	\$ (3,529,843)	\$ (3,579,846)	

#### **Analysis of Significant Revenues and Expenditures**

Significant revenues and expenditures are discussed in the segments below:

#### **State Sources**

The District is predominately funded by State aid. Total state aid revenues decreased approximately \$18,000 mainly as the result of declining student enrollment. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. Blended State aid membership was 3,174 and 3,203 in 2007-2008 and 2006-2007, respectively. The state per-pupil allocation for 2007-2008 and 2006-2007 was \$7,204 and \$7,085 respectively.

#### Student Enrollment

The District's enrollment for the fall count of 2007-2008 was 3,171 students. This is a decrease in enrollment of 15 students from the prior year. Enrollment trends over the last six years can be illustrated as follows:

Fiscal Year	Actual Blend Student FTE	Increase (Decrease)
2007-2008	3,174	(29)
2006-2007	3,203	(92)
2005-2006	3,295	(8)
2004-2005	3,303	(48)
2003-2004	3,351	_
2002-2003	3,351	38

#### **Property Taxes**

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is 50% of the property's market value.

For the 2007-2008 fiscal year the District's non-homestead property tax collections were \$2,326,988, an increase of \$268,610. The increase of 13.0% from the prior year was due to the increase in the taxable values of non-homestead property.

The District levies 7.72 mills of property taxes on all classes of property located within the District for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount collected for debt

retirement in the current year was \$3,015,123, an increase of \$130,465. This is a 4.5% increase from the prior year due to the increase in the taxable values of the property.

#### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the general fund budget one time, with the Board adopting the changes in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	W	Variance Vith Final Budget Positive Negative)
		<b>* * * * * * * * * *</b>	<b>.</b>		
<b>Total Revenues and Transfers</b>	\$28,053,328	\$ 28,619,477	\$ 28,590,141	\$	(29,336)
<b>Expenditures and Transfers</b>					
Instruction	\$18,126,935	\$ 17,926,599	\$ 17,899,707	\$	26,892
Support services	9,592,960	9,885,405	9,746,779		138,626
Community services	194,800	206,700	225,314		(18,614)
Other	424,910	410,130	388,420		21,710
<b>Total Expenditures and Transfer</b>	s \$28,339,605	\$ 28,428,834	\$ 28,257,817	\$	168,614

The original revenue budget was increased by \$566,149 or 2.0%. The original expenditure budget was increased by \$89,229 or 0.3%. Overall, the General Fund increased its fund balance by \$329,921.

The variance between the actual revenues and the original and final revenue budgets are due primarily to the following:

- Transfers from the Ionia County Intermediate School District for special education programs were more than budgeted.
- The unbudgeted decline in student enrollment resulted in less than budgeted state aid.

The variances between the actual general fund expenditures and the original and final expenditure budgets include the following:

• Actual costs for items such as substitute teachers, capital outlay, contract service and utilities were lower than anticipated.

#### **Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The State Aid Act for the 2008-2009 school year has been approved by the legislature. The District's foundation allowance will increase by \$112 per student, from \$7,204 to \$7,316.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, while the State has managed to limit the growth in the rate that districts fund the retirement system over the past few years, the increase in the number of retirees projected to occur over the next few years may result in higher annual increases. The retirement costs and retirement rate for fiscal year ended June 30, 2008 were \$2,456,682 and 16.72%, respectively. The retirement rate will decrease to 16.54% on October 1, 2008.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the *No Child Left Behind Act*, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Donald G. Wilcox, Director of Finance, Ionia Public Schools, 250 E. Tuttle Road, Ionia, Michigan, 48846.

# **District-Wide Financial Statements**

# District-Wide Financial Statements Statement of Net Assets

June 30, 2008	Governmental Activities
Assets	
Current Assets	
Cash and investments (Note 2)	\$ 9,677,135
Accounts receivable	27,467
Due from other governmental units (Note 9)	4,282,821
Inventories	12,336
Prepaid expenses	31,604
Other assets - building trade homes	505,266
Total current assets	14,536,629
Noncurrent Assets	
Deferred bond costs	1,176,345
Land and construction in process (Note 5)	1,319,934
Depreciable capital assets, net of accumulated depreciation (Note 5)	33,391,629
Total noncurrent assets	35,887,908
Total Assets	50,424,537
Liabilities	
Current Liabilities	
Accounts payable	1,587,734
Accrued payroll liabilities	3,071,384
State aid note payable (Note 7)	296,229
Accrued interest	262,314
Unearned revenue	5,178
Current portion of long-term obligations (Note 8)	1,980,142
Total current liabilities	7,202,981
Noncurrent Liabilities	
Deferred bond premium	654,186
Noncurrent portion of long-term obligations (Note 8)	46,097,213
Total noncurrent liabilities	46,751,399
Total Liabilities	53,954,380
Net Assets (Deficit)	
Invested in capital assets, net of related debt	(5,246,842)
Unrestricted	1,716,999
Total Net Assets (Deficit)	\$ (3,529,843)

# District-Wide Financial Statements Statement of Activities

							Net Revenue
							(Expense) and
				Progran	m Revenues	Change	s in Net Assets
					Operating		
				Charges for	Grants and		
Year ended June 30, 2008		Expenses		Services	Contributions		Total
<b>Governmental Activities</b>							
Instruction:							
Basic programs	\$	12,207,440	\$	-	\$ 733,064	\$	(11,474,376)
Special education		3,251,092		-	3,237,880		(13,212)
Other instruction		2,160,567		-	1,944,711		(215,856)
Total instruction		17,619,099		-	5,915,655		(11,703,444)
Support services:							
Student services		1,383,786		_	312,628		(1,071,158)
Instructional staff		876,596		_	5,448		(871,148)
General administration		490,023		_	-		(490,023)
School administration		1,896,314		_	-		(1,896,314)
Business services		443,946		_	-		(443,946)
Operations and maintenance		3,028,168		74,792	-		(2,953,376)
Student transportation		1,610,220		13,131	-		(1,597,089)
Other support services		149,375		, -	-		(149,375)
Community services		224,765		450	-		(224,315)
Food service		1,228,574		481,523	777,138		30,087
Athletics		446,745		60,728	-		(386,017)
Interest on long-term debt		2,199,133		· -	-		(2,199,133)
Unallocated depreciation		1,781,736		-	-		(1,781,736)
Total School District	\$	33,378,480	\$	630,624	\$ 7,010,869		(25,736,987)
	Ger	eral revenues:					
		operty taxes le	vie	d for general	purposes		2,326,988
		operty taxes le					3,015,123
		nrestricted stat					19,466,328
		vestment earni					696,715
		ther	8-				281,836
		al general reve	nue	s			25,786,990
		nge in net defi					50,003
		Deficit, begin		g of year			(3,579,846)
		<b>Deficit,</b> end or		•		\$	(3,529,843)
			, ,			Ψ	(2,22),013)

# Fund Financial Statements

# Governmental Funds Balance Sheet

		Capital	Other	Total
	General	Projects	Governmental	Governmental
June 30, 2008	Fund	Fund	Funds	Funds
Assets				
Cash and investments (Note 2)	\$4,229,282	\$5,190,585	\$ 257,268	\$ 9,677,135
Accounts receivable	25,980	-	1,487	27,467
Due from other governmental units (Note 9)	4,273,026	-	9,795	4,282,821
Due from other funds (Note 4)	694	-	14,256	14,950
Prepaid expenditures	31,604	-	-	31,604
Inventories	-	_	12,336	12,336
Other assets - building trade homes	505,266	-	-	505,266
Total Assets	\$9,065,852	\$5,190,585	\$ 295,142	\$ 14,551,579
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 892,650	\$ 695,084	\$ -	\$ 1,587,734
Accrued payroll liabilities	3,039,495	_	31,889	3,071,384
State aid note payable (Note 7)	296,229	-	-	296,229
Due to other funds (Note 4)	14,256	-	694	14,950
Deferred revenue	2,446	-	2,732	5,178
	1.215.055	<b>50 7 00 4</b>	25.215	1.055.455
Total liabilities	4,245,076	695,084	35,315	4,975,475
Fund Balances				
Reserved (Note 11)	536,870	-	12,336	549,206
Unreserved reported in:				
General fund	4,283,906	_	-	4,283,906
Capital projects fund	-	4,495,501	-	4,495,501
Special revenue funds	-	-	223,492	223,492
Debt retirement funds	-	-	23,999	23,999
Total fund balances	4,820,776	4,495,501	259,827	9,576,104
Total Liabilities and Fund Balances	\$9,065,852	\$5,190,585	\$ 295,142	\$ 14,551,579

# Reconciliation of Fund Balances of Governmental Funds to Net Assets on the Statement of Net Assets

June 30, 2008		
Total fund balances - total governmental funds (from page 21)		\$ 9,576,104
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: Capital assets, at cost Accumulated depreciation Net capital assets	\$ 59,369,514 (24,657,951)	34,711,563
In the fund financial statements bond premiums, issuance costs and gains on advance refunding are reported as revenue and expenditures while they are deferred and amortized in the District-wide financial statements.  Deferred bond costs, net  Deferred bond premium, net		1,176,345 (654,186)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances are as follows:  Bonds payable  Michigan school bond loan payable  Accrued interest on bonds and loans  Retirement contracts payable  Arbitrage  Compensated absences  Total long-term liabilities	(35,650,888) (8,065,277) (4,251,485) (90,000) (135,927) (146,092)	(48,339,669)
Net Assets (Deficit) of Governmental Activities		\$ (3,529,843)

### Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2008	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ 2,326,988	\$ -	\$ 3,015,123	\$ 5,342,111
Other local	346,597	395,519	578,111	1,320,227
Interdistrict	3,040,775	-	-	3,040,775
State sources	21,860,676	_	88,850	21,949,526
Federal sources	1,012,702	-	688,288	1,700,990
Total revenues	28,587,738	395,519	4,370,372	33,353,629
Expenditures				
Instruction	17,899,707	-	-	17,899,707
Support services	9,746,779	-	-	9,746,779
Community services	225,314	-	-	225,314
Food service	-	-	1,242,291	1,242,291
Athletics	-	-	446,745	446,745
Capital outlay	-	8,113,151	-	8,113,151
Debt retirement:				
Redemption of principal	-	-	1,795,000	1,795,000
Interest and fiscal charges	-	-	1,626,965	1,626,965
Total expenditures	27,871,800	8,113,151	5,111,001	41,095,952
Excess (deficiency) of revenues over expenditures	715,938	(7,717,632)	(740,629)	(7,742,323)

# Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2008	General Fund	Capital Projects Fund	C	Other Governmental Funds	G	Total fovernmental Funds
Other Financing Sources (Uses)						
Issuance of long-term debt	\$ _	\$ -	\$	300,000	\$	300,000
Transfers in (Note 4)	2,403	-		678,420		680,823
Transfers out (Note 4)	(388,420)	-		(292,403)		(680,823)
Total other financing sources (uses)	(386,017)	-		686,017		300,000
Changes in fund balances	329,921	(7,717,632)		(54,612)		(7,442,323)
Fund Balances, beginning of year	4,490,855	12,213,133		314,439		17,018,427
Fund Balances, end of year	\$ 4,820,776	\$ 4,495,501	\$	259,827	\$	9,576,104

# Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2008		
Changes in fund balances - total governmental funds (from page 25)		\$ (7,442,323)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.  Capital outlay  Depreciation expense	\$ 8,302,199 (1,781,736)	c 520 4c2
Depreciation in excess of capital outlay		6,520,463
Governmental funds report proceeds from the sale of capital assets as other financing sources, while on the statement of activities the difference between the proceeds and the book value of the assets is reported as gain or loss.		(28,440)
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.  Issuance of debt Amortization of bond charges Repayment of debt Net effect of debt issuance and repayment	(300,000) 1,883 1,795,000	1,496,883
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  Accrued interest Retirement contracts payable Arbitrage liability Compensated absences	(499,197) 135,000 (135,927) 3,544	
Net effect of long-term liabilities		(496,580)
Change in Net Assets of Governmental Activities	1	\$ 50,003

# General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

					iance With
	D		Final Budget		
Year ended June 30, 2008	Original	dget Final	Actual	Positive	
Tear ended June 30, 2008	Original	Fillal	Actual		(Negative)
Revenues					
Local sources:					
Property taxes	\$ 2,147,600	\$ 2,318,850	\$ 2,326,988	\$	8,138
Other local	368,200	392,700	346,597		(46,103)
Interdistrict	2,759,200	3,126,019	3,040,775		(85,244)
State sources	21,870,628	21,874,208	21,860,676		(13,532)
Federal sources	907,700	907,700	1,012,702		105,002
Total revenues	28,053,328	28,619,477	28,587,738		(31,739)
Expenditures					
Instruction	18,126,935	17,926,599	17,899,707		26,892
Support services	9,592,960	9,885,405	9,746,779		138,626
Community services	194,800	206,700	225,314		(18,614)
Total expenditures	27,914,695	28,018,704	27,871,800		146,904
Excess of revenues over expenditures	138,633	600,773	715,938		115,165
Other Fire and Green (User)					
Other Financing Sources (Uses) Transfers in			2,403		2,403
Transfers out	(424,910)	(410,130)	(388,420)		2,403
Transfers out	(424,910)	(410,130)	(388,420)		21,710
Total other financing uses	(424,910)	(410,130)	(386,017)		24,113
Changes in fund balances	(286,277)	190,643	329,921		139,278
Fund Balances, beginning of year	4,490,855	4,490,855	4,490,855		_
Fund Balances, end of year	\$ 4,204,578	\$ 4,681,498	\$ 4,820,776	\$	139,278

# Fiduciary Funds Statement of Fiduciary Net Assets

June 30, 2008	Scholarship Trust Fund	Agency Funds
Assets Cash and investments (Note 2)	\$ 41,996	\$ 81,404
Investments (Note 2)	736,887	
Total Assets	778,883	\$ 81,404
Liabilities Awards payable Due to student groups	45,950 -	\$ - 81,404
Total Liabilities	45,950	\$ 81,404
Net Assets Restricted for student awards	\$ 732,933	

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2008	Scholarship Trust Fund
Additions	
Contributions	\$ 53,760
Investment loss	(23,531)
Total additions	30,229
Deductions	
Awards	54,372
Change in net assets	(24,143)
Net Assets, beginning of year	757,076
Net Assets, end of year	\$ 732,933

See accompanying notes to basic financial statements.

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#### **Notes to Basic Financial Statements**

#### 1. Summary of Significant Accounting Policies

The financial statements of Ionia Public Schools (District) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

#### Reporting Entity

The District is an independent entity with an elected Board of Education. The Board consists of seven members and has decision-making authority, the authority to levy taxes and determine its budget, the power to designate management and primary accountability for fiscal matters. The financial statements of the District contain all funds and account groups controlled by the District's Board of Education.

#### Basis of Presentation

District-wide financial statements: The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize activities as either governmental or business-type. All of the District's activities are classified as governmental.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes, state aid foundation and certain other items are reported as general revenues.

Fund financial statements: The fund financial statements provide information about the District's funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

#### **Notes to Basic Financial Statements**

The financial transactions of the District are recorded in individual funds and account groups. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

#### Governmental Funds

The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position. The following is a description of the Governmental Funds of the District:

*General Fund* - is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. It is considered a major fund.

*Special Revenue Funds* - are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District operates two special revenue funds: Food Service and Athletics.

Debt Retirement Funds - are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Sources of revenue are property taxes and investment income.

Capital Projects Fund - is used to account for bond proceeds and the related interest income that will be used for capital projects specified in the bond issue. This fund is considered a major fund.

#### Fiduciary Funds

*Private-Purpose Trust Fund* - is used to account for funds entrusted to the District. The principal must be maintained intact while the income produced is expendable. The District maintains the Scholarship Fund to account for assets donated for scholarships to worthy students.

Agency Funds - are used to account for assets held by the District in a trustee capacity for individuals or school-related organizations. The Student Activities Fund is custodial in nature and does not involve measurement of results of operations.

#### **Notes to Basic Financial Statements**

#### Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the district-wide financial statements to the extent that those standards do not conflict with GASB guidance.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers revenues available if collected within 60 days after year-end for property taxes, state aid and interest, and 90 days after year-end for entitlement funds and grants.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

#### State Foundation Revenue

The State of Michigan provides funds through a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state

#### **Notes to Basic Financial Statements**

sources are primarily governed by the School Aid Act and the School Code of Michigan. For the year ended June 30, 2008, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills.

#### State Categorical Revenue

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

#### Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

#### **Budgets and Budgetary Accounting**

The Director of Finance reviews operating budgets by program or building for the fiscal year and submits them to the Superintendent. This information is used to develop a budget and resolution for the General Fund, Special Revenue Funds and Debt Retirement Funds that include proposed expenditures and the means of financing them and is compiled on a basis consistent with generally accepted accounting principles.

In June, the budget resolution is subjected to a public hearing and is adopted within seven days by the Board of Education after this hearing and before July 1, the first day of the budgeted fiscal year.

Any revisions which increase or decrease expenditures for a program must be approved by the Board of Education. The final budget reflects all revisions approved by the Board of Education during the year.

#### **Notes to Basic Financial Statements**

The budget is integrated with the accounting system of the District and is used as a management control device during the year. All appropriations lapse at year-end. Any outstanding commitments are included in the ensuing year's budget.

#### Assets and Liabilities

Investments

Investments are recorded at fair value based on quoted market prices.

Interfund Receivables/Payables

During the course of its operation, the District has various transactions between funds to finance operations and provide services. To the extent that certain transactions had not been paid or received as of year-end, balances of interfund amounts receivable or payable have been recorded.

#### Inventories

Inventories are stated at cost using the first-in, first-out method, and consist primarily of food, cafeteria supplies and teaching supplies. USDA donated commodities in the Food Service Fund are recorded at fair value. Inventories are recorded as assets until consumed, at which time an expenditure is recorded.

#### Capital Assets

Capital assets, which include property, buildings and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value.

#### **Notes to Basic Financial Statements**

Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	10-20
Buildings and additions	50
Furniture and equipment	5-15
Transportation equipment	5-12
Computer equipment	5-10

#### Deferred Revenue

Revenue which relates to future periods is recorded as deferred revenue.

#### Compensated Absences

District employees are granted vacation and sick leave in varying amounts, based on length of service. Unused vacation time does not accumulate from year to year, except for the Superintendent. Unused sick leave accumulates from year to year to a maximum, which varies for different categories of employees, except for certain contractual arrangements. Upon termination of employment for those central office staff who were approved on October 15, 2001, unused sick leave is paid at 50% of accumulated days at the current per diem rate. Vacation and sick pay is accrued when incurred in the government-wide financial statements. Unused sick leave expires upon termination of non-central office employees and central office employees not included in the October 15, 2001 Board of Education motion.

#### Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond discounts, premiums and issuance costs are deferred and amortized over the term of the bonds.

In the fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

#### **Notes to Basic Financial Statements**

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governmental units.

#### Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### 2. Cash and Investments

#### **Deposits**

Statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

#### Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for mitigating custodial credit risk. At June 30, 2008, \$5,202,367 of the District's bank balances of \$5,627,855 was uninsured and uncollateralized.

#### **Investments**

The District participates in the Fifth Third Institutional Money Market Fund which invests primarily in short-term U.S. Government securities. The balance at June 30, 2008 was \$5,136,998.

#### **Notes to Basic Financial Statements**

The District Scholarship Fund investments are with the Grand Rapids Community Foundation (the Foundation), which holds the assets in an endowment. The Foundation pools funds from various entities and invests in a variety of investment vehicles, thereby making it an external investment pool. The market value of the Scholarship Fund at June 30, 2008 was \$736,887.

#### Credit Risk

Statutes require and Board resolutions authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles previously named.

The District has no policy that would further limit its investment choices. At June 30, 2008, the District's investment in the Foundation's external investment pool was not rated by a national agency. The Fifth Third Institutional Money Market Fund was rated AAA by Standard & Poor's and Aaa by Moody's.

#### Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Fifth Third Institutional Money Market Fund had an average weighted maturity of 55 days.

#### Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District had no investments subject to custodial credit risk at June 30, 2008.

#### **Notes to Basic Financial Statements**

#### Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. At June 30, 2008, the District's investment at the Foundation represented 13% of total investments.

#### 3. Property Tax Millage

Properties are assessed as of December 31. The City of Ionia levies taxes on July 1, which are due on September 14. The various townships levy taxes on December 1, which are due on February 14, with the final collection date of February 28, before they are added to the county delinquent tax rolls. Delinquent real property taxes are purchased by Ionia County and remitted to the District prior to June 30, 2008.

The ad valorem taxable values and millage rates levied for 2008 consist of the following:

			Levy		
			18.0000 Operating	7.72 Debt	
	Non-Homestead	Total Taxable	Mills on Non-Homestead	Mills on Total Taxable	Total
Taxing District	Taxable Value	Value	Taxable Value	Value	Levy
City of Ionia Berlin Township Easton Township Ionia Township	\$ 40,192,503 35,211,426 5,315,016 20,668,263	\$ 94,367,392 53,863,684 33,268,888 77,636,398	\$ 723,465 633,806 95,670 372,029	\$ 728,516 415,828 256,836 599,353	\$1,451,981 1,049,634 352,506 971,382
Lyons Township North Plains Township	8,890,855 423,162	39,546,696 6,018,452	160,035 7,617	305,300 46,462	465,335 54,079
Orange Township Orleans Township	5,396,506 3,387,712	15,398,111 16,493,124	97,137 60,979	118,873 127,327	216,010 188,306
Portland Township Ronald Township	102,277 3,185,106	1,005,935 25,114,762	1,841 57,332	7,766 193,886	9,607 251,218
	\$ 122,772,826	\$ 362,713,442	\$2,209,911	\$2,800,147	\$5,010,058

#### 4. Interfund Balances

Interfund balances at June 30, 2008 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 694	\$ 14,256
Food Service	14,256	694

### **Notes to Basic Financial Statements**

Transfers in and out during the year ended June 30, 2008 are as follows:

Fund	Transfers In		Transfers Out	
General Fund	\$	2,403	\$	388,420
Athletics Special Revenue Fund		388,420		2,403
2000 Debt Retirement Fund		10,000		60,000
2003 Debt Retirement Fund		-		55,000
2004 Debt Retirement Fund		220,000		-
2005 Debt Retirement Fund		-		65,000
2006 Debt Retirement Fund		60,000		110,000
				_
	\$	680,823	\$	680,823

### 5. Capital Assets

The following summarizes capital asset activity for the year ended June 30, 2008.

	Balance,			Balance,
	July 1,			June 30,
	2007	Additions	Deletions	2008
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 331,540	\$ -		\$ 331,540
Construction in process	3,176,723	988,394	3,176,723	988,394
Capital assets being depreciated:				
Land improvements	505,088	3,755,199	-	4,260,287
Buildings and improvements	33,297,389	5,233,842	-	38,531,231
Equipment and furniture	10,871,139	523,914	785,215	10,609,838
Transportation equipment	2,833,960	200,453	-	3,034,413
Computer equipment	2,929,553	777,120	2,092,862	1,613,811
Totals at historical costs	53,945,392	11,478,922	6,054,800	59,369,514
Less accumulated depreciation for:				
Land improvements	221,162	232,498	-	453,660
Buildings and improvements	12,208,404	830,231	-	13,038,635
Equipment and furniture	9,034,062	440,176	685,711	8,788,527
Transportation equipment	1,764,445	170,140	-	1,934,585
Computer equipment	2,497,779	108,691	2,163,926	442,544
Total accumulated depreciation	25,725,852	1,781,736	2,849,637	24,657,951
Net Capital Assets	\$28,219,540	\$ 9,697,186	\$ 3,205,163	\$34,711,563

#### **Notes to Basic Financial Statements**

The costs to complete the construction in process are approximately \$2,310,000.

Depreciation for the year ended June 30, 2008 was \$1,781,736. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

#### 6. Employee Retirement System - Defined Benefit Plan

#### Plan Description

The District contributed to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the nine-member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and currently operates under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by contacting the Michigan Public School Employees' Retirement System, P.O. Box 30026, Lansing, Michigan 48909.

#### Funding Policy

Basic Plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% from July 1, 2007 through September 30, 2007 and 16.72% from October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the current and two preceding years were as follows:

#### **Notes to Basic Financial Statements**

V 1.11 20	Employer
Year ended June 30,	Contribution
2008	\$2,456,682
2007	2,841,670
2006	2,596,833

#### Other Postemployment Benefits

Retirees have the option of health, dental and vision coverage, which is funded on a cash basis by the employers. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

#### 7. Note Payable

In August 2007, the District borrowed \$2,000,000 through a Michigan Municipal Bond Authority State Aid Note to fund general operations. The balance of \$296,229 was paid in August 2008.

### 8. Long-Term Obligations

The following is a summary of the changes in long-term debt for the year ended June 30, 2008:

	Balance, July 1, 2007	Additions	Deductions	Balance, June 30, 2008	Due Within One Year
Bonds payable	\$ 37,445,888	\$ -	\$ 1,795,000	\$ 35,650,888	\$ 1,890,142
School Bond Fund Loan	7,765,277	300,000	-	8,065,277	_
Accrued interest on loan	3,481,105	508,066	_	3,989,171	_
Arbitrage liability	-	135,927	-	135,927	_
Retirement contracts	225,000			90,000	
payable		_	135,000		90,000
Vacation and sick accrual	149,636	10,890	14,434	146,092	
	\$ 49,066,906	\$ 954,883	\$ 1,944,434	\$ 48,077,355	\$ 1,980,142

Vacation and sick liabilities are normally liquidated by the General Fund.

#### **Notes to Basic Financial Statements**

Bonds payable at June 30, 2008 are comprised of the following individual issues:

2006 building and site bonds due in annual installments of \$300,000 to \$1,225,000 through May 2026; interest at 4.0% to 4.5%.	\$ 16,425,000
2005 refunding bonds due in annual installments of \$50,000 to \$260,000 through May 2029; interest at 2.5% to 4.0%.	4,985,000
2004 refunding bonds due in annual installments of \$885,000 to \$1,035,000 through May 2016; interest at 2.25% to 5.0%.	7,755,000
2003 refunding bonds due in annual installments of \$325,000 to \$360,000 through May 2025; interest at 3.00% to 4.85%.	5,750,000
2000 building and site bonds due in annual installments of \$155,000 through May 2010; interest at 5.75%.	310,000
1998 school improvement bonds due in annual installments of \$40,142 to \$251,296 through May 2013; interest at 4.76%.	425,888
	\$ 35,650,888

The 1998 School Improvement Bonds were issued in the amount of \$721,279 through the State of Michigan's Durant Bonding Program. The State of Michigan is to annually appropriate the funds for the debt service payments. If the State fails to appropriate the funds, the District is under no obligation for payment.

Annual requirements to service the bonds outstanding to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2000	Ф. 1.000.142	ф. 1. <b>7</b> 0.4.20.6	Ф 2 474 520
2009	\$ 1,890,142	\$ 1,584,396	\$ 3,474,538
2010	1,982,051	1,498,997	3,481,048
2011	2,064,054	1,408,081	3,472,135
2012	2,371,296	1,397,813	3,769,109
2013	2,263,345	1,213,798	3,477,143
2014-2018	10,540,000	4,518,991	15,058,991
2019-2023	8,675,000	2,498,347	11,173,347
2024-2028	5,605,000	609,429	6,214,429
2029	260,000	11,700	271,700
	\$35,650,888	\$14,741,552	\$50,392,440

#### **Notes to Basic Financial Statements**

#### School Bond Loan Fund

The State of Michigan School Bond Loan Fund is obligated to lend the District amounts to help meet the principal and interest obligations of the 1992 refunding bond issue and the 1995 bond issue that are not realized in tax levies. When the tax revenues collected exceed these obligations, the District must use these funds to pay back the accumulated borrowings and interest. The applicable interest rates will be determined annually by the State Administrative Board. For fiscal year 2008, the interest rate ranged from 4.25% to 4.75%. The following is an estimate of the amounts which will be borrowed from the State of Michigan Bond Loan Fund and the actual amounts borrowed in current and prior years.

	Projected Amount	Amount
Fiscal year ended June 30,	Borrowed	Borrowed
1992	\$ 588,501	\$ 524,500
1993	489,195	615,000
1994	451,520	111,000
1995	409,148	393,000
1996	605,885	590,000
1997	816,133	901,400
1998	779,978	637,000
1999	714,415	700,000
2000	648,892	475,000
2001	575,110	1,080,377
2002	505,409	470,000
2003	430,460	670,000
2004	359,138	329,000
2005	281,332	164,000
2006	236,547	50,000
2007	549,212	55,000
2008	564,626	300,000
	\$9,005,501	\$8,065,277

#### **Notes to Basic Financial Statements**

#### Early Retirement Incentive

In 2007, the District offered certain employees a voluntary severance plan. Nine employees accepted the offer. The early retirement program provides for payments of \$15,000 in August 2007 and \$10,000 in August 2008 for each participant. At June 30, 2008, the District's liability for the voluntary severance plan was \$90,000.

#### Defeased Debt

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2008, \$4,690,000 of bonds outstanding are considered defeased.

#### 9. Due From Other Governmental Units

Due from other governmental units consists of the following:

		Special
	General	Revenue
<i>June 30, 2008</i>	Fund	Funds
State	\$3,972,168	\$ 9,795
Intermediate	300,858	-
	\$4,273,026	\$ 9,795

#### 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to minimize its exposure to these risks, the District has purchased commercial insurance. Settled claims have not exceeded insurance coverage for each of the past three years.

### **Notes to Basic Financial Statements**

#### 11. Reserved Fund Balance

Reserved fund balance consists of the following:

		Special
	General	Revenue
<i>June 30, 2008</i>	Fund	Funds
Reserved for:		
Inventories	\$ -	\$12,336
Prepaid expenditures	31,604	_
Other assets - building trade homes	505,266	-
	\$536,870	\$12,336

## **General Fund**

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## General Fund Comparative Schedules of Revenues and Other Financing Sources

Year ended June 30,	2008	2007
Revenues		
Local Sources		
Property taxes	\$ 2,326,988	\$ 2,058,378
Other local revenue:		
Earnings on investments and deposits	192,983	169,785
Other local income	49,424	48,166
Transportation	13,131	38,736
Building rent	74,792	69,161
Community education fees	450	7,624
Drivers education fees	-	2,945
Beverage commissions	15,817	22,755
Total revenues from local sources	2,673,585	2,417,550
State Sources		
State school aid	19,466,328	19,484,741
Restricted grants:		
At risk	672,005	677,910
Special education	1,446,215	1,550,520
Early childhood	204,000	155,100
Durant settlement	72,128	72,128
Middle school math	-	38,193
Total revenues from state sources	21,860,676	21,978,592
Federal Sources		
Title I	617,897	612,753
Title IIA - Improving Teacher Quality	171,057	150,525
Title V	5,448	5,187
Perkins	109,264	41,849
Technology Literacy Challenge	6,554	6,543
Other	102,482	26,663
Total revenues from federal sources	1,012,702	843,520

## **General Fund Comparative Schedules of Revenues and Other Financing Sources**

Year ended June 30,	2008	2007	
Other Governmental Units			
County vocational education	\$ 1,153,340	\$ 1,453,010	
County special education tax	1,791,665	1,588,622	
Other transfers	95,770	69,196	
Total revenues from other governmental units	3,040,775	3,110,828	
Total revenues	28,587,738	28,350,490	
Other Financing Sources			
Transfers from other funds	2,403	13,348	
<b>Total Revenues and Other Financing Sources</b>	\$ 28,590,141	\$28,363,838	

## General Fund Comparative Schedules of Expenditures and Other Financing Use

Year ended June 30,	2008	
Expenditures		
Instruction		
Basic programs:		
Elementary:		
Professional salaries	\$ 3,276,645	\$ 3,244,851
Non-professional salaries	118,825	134,342
Insurance	619,090	666,462
Benefits	26,972	27,844
FICA and retirement	816,437	844,313
Purchased services	137,150	103,272
Supplies and materials	202,613	174,460
Capital outlay	1,183	2,109
Other costs	4,439	4,893
Total elementary	5,203,354	5,202,546
Middle/junior high:		
Professional salaries	1,834,905	1,900,894
Non-professional salaries	63,250	63,667
Insurance	364,458	405,047
Benefits	12,068	11,881
FICA and retirement	452,219	489,106
Purchased services	49,379	40,036
Supplies and materials	80,458	123,759
Capital outlay	<del>-</del>	1,439
Other costs	6,577	12,245
Total middle/junior high	2,863,314	3,048,074
High school:		
Professional salaries	2,488,919	2,362,479
Non-professional salaries	95,804	163,692
Insurance	583,359	622,577
Benefits	6,331	5,498
FICA and retirement	622,473	631,173
Purchased services	95,129	87,060
Supplies and materials	220,397	137,705
Capital outlay	60,519	7,547
Other costs	18,447	13,218
Total high school	4,191,378	4,030,949

## **General Fund Comparative Schedules of Expenditures and Other Financing Use**

ear ended June 30,	2008	
Early 4's:		
Professional salaries	\$ 135,216	\$ 131,638
Non-professional salaries	16,126	15,118
Insurance	13,420	15,717
Benefits	195	59
FICA and retirement	36,406	36,244
Purchased services	204	583
Supplies and materials	5,018	3,237
Other costs	4,348	3,537
Total early 4's	210,933	206,133
Extended school year:		
Professional salaries	10,149	6,720
Non-professional salaries	3,290	6,408
Insurance		156
FICA and retirement	3,412	3,152
Supplies and materials	2,218	163
Other costs	<u> </u>	113
Total extended school year	19,069	16,712
Total basic programs	12,488,048	12,504,414
Added needs:		
Special education:		
Professional salaries	1,931,905	2,135,876
Non-professional salaries	284,383	303,554
Insurance	404,594	501,762
Benefits	7,853	7,924
FICA and retirement	535,875	613,134
Purchased services	57,892	42,888
Supplies and materials	28,590	34,681
Total special education	3,251,092	3,639,819

## General Fund Comparative Schedules of Expenditures and Other Financing Use

Year ended June 30,	2008	2007
Compensatory education:		
Professional salaries	\$ 99,197	\$ 177,825
Non-professional salaries	227,386	248,254
Insurance	18,934	42,173
FICA and retirement	79,423	93,306
Purchased services	64,523	37,600
Supplies and materials	205,814	67,497
Other costs	100	692
Total compensatory education	695,377	667,347
Vocational education:		
Professional salaries	551,254	660,173
Non-professional salaries	10,234	11,799
Insurance	75,949	92,971
Benefits	6,110	8,486
FICA and retirement	132,781	166,742
Purchased services	576,296	659,153
Supplies and materials	12,320	10,511
Total vocational education	1,364,944	1,609,835
Other added needs (vocational education):		
Professional salaries	1,900	1,835
Non-professional salaries	78,010	84,012
Insurance	826	1,175
FICA and retirement	19,510	21,681
Total other added needs (vocational education)	100,246	108,703
Total added needs	5,411,659	6,025,704
Cotal instruction	17,899,707	18,530,118

## **General Fund Comparative Schedules of Expenditures and Other Financing Use**

Year ended June 30,	2008	2007	
Support Services			
Student services:			
Guidance services:			
Professional salaries	\$ 436,203	\$ 374,907	
Insurance	96,470	90,451	
FICA and retirement	106,947	94,383	
Purchased services	621	2,459	
Supplies and materials	6,099	5,573	
Other costs	40	8	
Total guidance services	646,380	567,781	
Nursing services:			
Contract services	214,268	218,990	
Speech therapy:			
Purchased services	439,781	416,845	
Supplies and materials	186	115	
Total speech therapy	439,967	416,960	
Social worker:			
Purchased services	82,812	77,756	
Supplies and materials	359	664	
Total social worker	83,171	78,420	
Total student services	1,383,786	1,282,151	
Instructional staff:			
Improvement of instruction:			
Professional salaries	-	41	
FICA and retirement	-	11	
Purchased services	650	1,658	
Supplies and materials	6,045	5,475	
Other costs	-	2,238	
Total improvement of instruction	6,695	9,423	

## General Fund Comparative Schedules of Expenditures and Other Financing Use

ar ended June 30,	2008	200
Library:		
Professional salaries	\$ 31,655	\$ 74,098
Non-professional salaries	62,859	138,561
Insurance	1,622	16,443
Benefits	362	
FICA and retirement	20,591	53,656
Purchased services	-	431
Supplies and materials	10,811	18,181
Other costs	4,052	4,182
Total library	131,952	305,552
Computer/technology:		
Professional salaries	111,220	107,979
Non-professional salaries	107,994	101,273
Insurance	42,485	49,79
Benefits	2,809	.,,,,
FICA and retirement	52,596	51,526
Purchased services	71,630	33,305
Supplies and materials	33,986	32,446
Capital outlay	3,570	,
Other costs	712	1,422
Total computer/technology	427,002	377,752
Supervision/direction:		
Professional salaries	97,622	109,737
Insurance	13,551	10,640
Benefits	1,250	10,040
FICA and retirement	23,508	20,984
Purchased services	90,531	100,34
Supplies and materials	619	913
Capital outlay	•	455
Other costs	8,021	
Total supervision/direction	235,102	243,070

## **General Fund Comparative Schedules of Expenditures and Other Financing Use**

Year ended June 30,	2008	2007
Other:		
Professional salaries	\$ 61,088	\$ 60,334
Insurance	12,891	14,435
FICA and retirement	14,935	15,225
Total other	88,914	89,994
Total instructional staff	889,665	1,025,791
General administration:		
Board of Education:		
Purchased services	74,961	43,343
Other costs	7,890	7,249
Total Board of Education	82,851	50,592
Executive administration:		
Professional salaries	116,641	114,625
Non-professional salaries	114,312	116,130
Insurance	34,585	28,438
Benefits	3,471	3,092
FICA and retirement	54,307	56,043
Purchased services	35,938	62,142
Supplies and materials	17,870	16,982
Capital outlay	2,202	, -
Other costs	20,861	25,389
Total executive administration	400,187	422,841
Total general administration	483,038	473,433
School administration:		
Professional salaries	856,372	839,531
Non-professional salaries	396,535	418,047
Insurance	182,864	194,215
Benefits	7,633	1,279
FICA and retirement	301,177	307,007
Purchased services	2,907	4,460
Supplies and materials	5,458	11,279
Other costs	7,441	7,211
Total school administration	1,760,387	1,783,029

## General Fund Comparative Schedules of Expenditures and Other Financing Use

Year ended June 30,	2008	2007
Business services:		
Professional salaries	\$ 95,745	\$ 94,329
Non-professional salaries	107,262	106,163
Insurance	49,263	27,995
Benefits	3,508	3,092
FICA and retirement	49,606	49,494
Purchased services	31,975	25,344
Supplies and materials	1,727	1,334
Other costs	103,054	107,523
Total business services	442,140	415,274
Operations and maintenance:		
Professional salaries	56,946	54,255
Non-professional salaries	819,768	888,898
Insurance	283,671	258,819
FICA and retirement	214,906	235,115
Purchased services	743,144	644,717
Supplies and materials	809,281	753,291
Capital outlay	73,734	-
Other costs	26,718	8,345
Total operations and maintenance	3,028,168	2,843,440
Student transportation:		
Non-professional salaries	661,890	724,285
Insurance	45,944	47,074
Benefits	819	-
FICA and retirement	159,270	179,364
Purchased services	265,935	283,886
Supplies and materials	396,602	350,086
Capital outlay	72,155	-
Other costs	7,605	4,864
Total student transportation	1,610,220	1,589,559
Employee benefits - support services	149,375	52,186
Total support services	9,746,779	9,464,863
<b>Total Current Operating Expenditures</b>	27,646,486	27,994,981

## **General Fund Comparative Schedules of Expenditures and Other Financing Use**

Year ended June 30,	2008	2007
Community Services		
Community education:		
Professional salaries	\$ 68,513	\$ 86,627
Non-professional salaries	57,821	111,781
Insurance	14,536	18,933
Benefits	906	1,546
FICA and retirement	27,545	46,021
Purchased services	51,462	46,036
Supplies and materials	3,214	5,547
Other costs	1,317	1,742
Total community education	225,314	318,233
Total expenditures	27,871,800	28,313,214
Other Financing Use		
Transfers to other funds	388,420	404,595
<b>Total Expenditures and Other Financing Use</b>	\$ 28,260,220	\$ 28,717,809

# Nonmajor Governmental Funds

	 Special Revenue		
June 30, 2008	Food Service		Athletics
Assets			
Cash and investments	\$ 233,269	\$	-
Accounts receivable	1,487		-
Due from other governmental units	9,795		-
Due from other funds	14,256		-
Inventories	12,336		_
Total Assets	\$ 271,143	\$	-
Liabilities and Fund Balances			
Liabilities			
Accrued payroll liabilities	\$ 31,889	\$	-
Due to other funds	694		-
Deferred revenue	2,732		
Total liabilities	35,315		-
Fund Balances			
Reserved for inventories	12,336		_
Unreserved	223,492		-
Total fund balances	235,828		-
<b>Total Liabilities and Fund Balances</b>	\$ 271,143	\$	-

## Nonmajor Governmental Funds Combining Balance Sheet

					Retirement	Debt			
Total	2006 Bonds		2005 Bonds		2004 Bonds		2003 Bonds	2000 Bonds	
257,268	\$	7,351	\$	2,136	\$ 8,629	\$	4,444	\$ 1,439	\$
1,487		-		-	-		-	-	
9,795		-		-	-		-	-	
14,256		-		-	-		-	-	
12,336		-		-	-		-	-	
295,142	\$	7,351	\$	2,136	\$ 8,629	\$	4,444	\$ 1,439	\$
31,889	\$	-	\$	-	\$ -	\$	-	\$ -	\$
694		-		-	-		-	-	
2,732		-		-	-		-	-	
35,315		_		-	-		-	-	
12,336		_		-	_		_	_	
247,491		7,351		2,136	8,629		4,444	1,439	
259,827		7,351		2,136	8,629		4,444	1,439	
295,142	\$	7,351	\$	2,136	\$ 8,629	\$	4,444	\$ 1,439	\$

	Special R	Special Revenue				
Year ended June 30, 2008	Food Service	Athletics				
Revenues						
Local sources:						
Property taxes	\$ - \$	-				
Other local	493,664	60,728				
State sources	88,850	-				
Federal sources	688,288	-				
Total revenues	1,270,802	60,728				
Expenditures						
Salaries	425,443	149,863				
Employee benefits	129,163	42,618				
Supplies and food	658,554	64,045				
Contracted services	22,332	134,004				
Repairs and maintenance	1,060	18,995				
Other	5,739	37,220				
Redemption of principal	=	_				
Interest and fiscal charges	-	-				
Total expenditures	1,242,291	446,745				
Excess (deficiency) of revenues over expenditures	28,511	(386,017)				
Other Financing Sources (Uses)						
Proceeds from School Bond Loan Fund	_	_				
Transfers in	<u>-</u>	388,420				
Transfers out	<u>-</u>	(2,403)				
Total other financing sources (uses)	<u>-</u>	386,017				
Changes in fund balances	28,511	-				
Fund Balances, beginning of year	207,317	-				
Fund Balances, end of year	\$ 235,828 \$	-				

### Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances

_							
	2000	2003		2004	2005	2006	
	Bonds	Bonds		Bonds	Bonds	Bonds	Total
	\$ 203,085	\$ 645,413	\$	866,907	\$ 292,902	\$ 1,006,816	\$ 3,015,123
	1,771	5,948		6,293	2,592	7,115	578,111
	-	-		-	-	-	88,850
	-	-		-	-	-	688,288
	204,856	651,361		873,200	295,494	1,013,931	4,370,372
	-	-		-	-	-	575,306
	-	-		-	-	-	171,781
	-	-		-	-	-	722,599 156,336
	-	-		-	-	-	20,055
	_	_		_	_	_	42,959
	155,000	365,000		980,000	50,000	245,000	1,795,000
	26,737	254,174		409,830	221,361	714,863	1,626,965
	.,	- , -			,- ·	, , , , , , , ,	, ,
	181,737	619,174	]	1,389,830	271,361	959,863	5,111,001
	23,119	32,187		(516,630)	24,133	54,068	(740,629)
				200,000			200,000
	10,000	-		300,000 220,000	-	60,000	300,000 678,420
	(60,000)	(55,000)		220,000	(65,000)	(110,000)	(292,403)
	(00,000)	(33,000)			(03,000)	(110,000)	(2)2,403)
	(50,000)	(55,000)		520,000	(65,000)	(50,000)	686,017
	(26,881)	(22,813)		3,370	(40,867)	4,068	(54,612)
	28,320	27,257		5,259	43,003	3,283	314,439
	\$ 1,439	\$ 4,444	\$	8,629	\$ 2,136	\$ 7,351	\$ 259,827

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# **Agency Fund**

# Agency Fund Statement of Changes in Assets and Liabilities

	Due to Student			Due to Student
Year ended June 30, 2008	Groups 7/1/07	Additions	Deductions	Groups 6/30/08
	-			
Blue Crew - HS	\$ 912	\$ 528	\$ 500	\$ 940
Boyce School	1,221	2,597	1,970	1,848
Class of 2000	44	-	-	44
Class of 2001	245	-	-	245
Class of 2002	253	-	-	253
Class of 2004	6	-	-	6
Close Up	906	3,345	3,227	1,024
Community based instruction	16	-	-	16
Emerson Elementary	511	465	373	603
Environmental Club - HS	37	_	-	37
French Club	3,827	8,564	8,118	4,273
Future Farmers of America	2,127	40,590	41,033	1,684
HIT BPA	227	-	-	227
HS Affiliated Athletic Boosters	36,542	77,400	98,798	15,144
HS AAA account	6,544	861	4,315	3,090
HS Art Club	200	85	-	285
HS Prom	11,196	13,775	18,654	6,317
HS Drama	114	-	-	114
Honor Society	1,522	1,484	1,625	1,381
ICCF Scholarship Grant	2,087	4,373	1,020	5,440
Journalism	2,286	29,394	30,883	797
Junior High Book Fair	2,326	4,324	4,460	2,190
Lunch Fund - pop amount	5	9,261	9,266	-
Outdoor Athletic Facility donations	4,748	· -	, -	4,748
Pride Club - Junior High	8,250	43,737	41,673	10,314
S.A.D.D.	547	-	52	495
Science Club - HS	744	1,460	1,304	900
Ski Club - HS	85	-	, <u>-</u>	85
Social Club - HS	63	440	450	53
Spanish Club	2,317	6,605	7,734	1,188
Student Council - MS	923	3,231	3,306	848
Student Council - HS	13,810	5,210	6,955	12,065
Theater trips	(32)	60	_	28
Transfer Acct & Unclaimed Depos	501	2,754	2,971	284
Yearbook, Hit Advisory & Jeff Yrbk	11,838	17,969	25,369	4,438
	\$ 116,948	\$ 278,512	\$ 314,056	\$ 81,404

# Schedules of Debt Service Requirements

## 1998 School Improvement Bonds

During 1998, bonds in the amount of \$721,279 were issued to finance certain school improvements in and for the District.

Maturity date May 1,	Principal	Interest	Total
2009	\$ 40,142	\$ 10,510	\$ 50,652
2010	42,051	8,599	50,650
2011	44,054	6,597	50,651
2012	251,296	89,015	340,311
2013	48,345	2,302	50,647
			_
	\$ 425,888	\$ 117,023	\$ 542,911

#### 2000 Building and Site Bonds

During 2000, bonds in the amount of \$6,240,000 were issued to finance additions and remodeling of school buildings; erecting, furnishing and equipping a transportation/maintenance facility and a community education facility; acquiring and installing educational technology improvements; and acquiring land. In 2005 the bonds due in 2011-2029 were defeased. The following schedule presents the detail of the remaining outstanding issue at June 30, 2008.

Maturity date May 1,	P	rincipal	Interest	Total
2009 2010		155,000 155,000	\$ 17,826 8,912	\$ 172,826 163,912
	\$ 3	310,000	\$ 26,738	\$ 336,738

#### 2003 Refunding Bonds

During 2003, bonds in the amount of \$7,710,000 were issued to refund a portion of the District's 1995 bonds and all of the remaining 1991 bonds. The following schedule presents the detail of the remaining outstanding issue at June 30, 2008. The interest requirement is computed on the entire outstanding bond issue and represents the interest required to be paid without prior redemptions.

Maturity date May 1,	Principal	Interest	Total
2009	\$ 360,000	\$ 243,224	\$ 603,224
2010	350,000	231,524	581,524
2011	345,000	219,274	564,274
2012	345,000	206,336	551,336
2013	340,000	192,536	532,536
2014	335,000	178,936	513,936
2015	330,000	165,536	495,536
2016	330,000	152,172	482,172
2017	325,000	138,476	463,476
2018	345,000	124,664	469,664
2019	345,000	109,570	454,570
2020	340,000	94,218	434,218
2021	340,000	78,748	418,748
2022	335,000	63,022	398,022
2023	330,000	47,278	377,278
2024	330,000	31,602	361,602
2025	325,000	15,762	340,762
	,	•	· · · · · · · · · · · · · · · · · · ·
	\$5,750,000	\$2,292,878	\$ 8,042,878

#### 2004 Refunding Bonds

During 2004, bonds in the amount of \$11,485,000 were issued to refund a portion of the 1992 Refunding Bonds. The following schedule presents the detail of the remaining outstanding issue at June 30, 2008. The interest requirement is computed on the entire outstanding bond issue and represents the interest required to be paid without prior redemptions.

Maturity date May 1,	Principal		Interest	Total
2009	\$ 985,000	\$	387,750	\$ 1,372,750
2010	1,035,000		338,500	1,373,500
2011	1,020,000		286,750	1,306,750
2012	995,000		235,750	1,230,750
2013	970,000		186,000	1,156,000
2014	945,000		137,500	1,082,500
2015	920,000		90,250	1,010,250
2016	885,000		44,250	929,250
	\$ 7,755,000	\$ 1	1,706,750	\$ 9,461,750

## 2005 Refunding Bonds

During 2005, bonds in the amount of \$5,085,000 were issued to advance refund \$4,690,000 of outstanding 2000 Refunding Bonds that are due from 2011-2029. The following schedule presents the detail of the remaining outstanding issue at June 30, 2008.

Maturity date May 1,	Principal	Interest	Total
			_
2009	\$ 50,000	\$ 220,024	\$ 270,024
2010	50,000	218,399	268,399
2011	255,000	216,398	471,398
2012	255,000	203,649	458,649
2013	255,000	190,898	445,898
2014	255,000	178,149	433,149
2015	255,000	165,399	420,399
2016	255,000	152,649	407,649
2017	255,000	142,449	397,449
2018	255,000	132,248	387,248
2019	255,000	122,049	377,049
2020	255,000	111,849	366,849
2021	255,000	101,648	356,648
2022	260,000	91,130	351,130
2023	260,000	80,210	340,210
2024	260,000	69,160	329,160
2025	260,000	57,980	317,980
2026	260,000	46,800	306,800
2027	260,000	35,100	295,100
2028	260,000	23,400	283,400
2029	260,000	11,700	271,700
	\$4,985,000	\$2,571,288	\$ 7,556,288

#### 2006 Building and Site Bonds

During 2006, bonds in the amount of \$16,670,000 were issued for the purpose of partially remodeling, refurnishing, and re-equipping school district buildings; replacing athletic field lighting; purchasing school buses, constructing storage buildings at the middle and high school; developing and improving sites; and acquiring and installing educational technology improvements. The following schedule presents the detail of the remaining outstanding issue at June 30, 2008.

Maturity date May 1,		Principal		Interest	Total
2009	\$	300,000	\$	705,062	\$ 1,005,062
2010		350,000		693,063	1,043,063
2011		400,000		679,062	1,079,062
2012		525,000		663,063	1,188,063
2013		650,000		642,062	1,292,062
2014		800,000		616,063	1,416,063
2015		950,000		584,062	1,534,062
2016		1,000,000		546,063	1,546,063
2017		1,050,000		506,062	1,556,062
2018		1,050,000		464,063	1,514,063
2019		1,100,000		420,750	1,520,750
2020		1,125,000		371,250	1,496,250
2021		1,150,000		320,625	1,470,625
2022		1,150,000		268,875	1,418,875
2023		1,175,000		217,125	1,392,125
2024		1,200,000		164,250	1,364,250
2025		1,225,000		110,250	1,335,250
2026		1,225,000		55,125	1,280,125
	\$ 1	16,425,000	\$8	3,026,875	\$24,451,875

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards



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#### **Independent Auditors' Report**

Board of Education Ionia Public Schools Ionia, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ionia Public Schools (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ionia Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ionia Public Schools' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Ionia Public Schools, in a separate letter dated October 3, 2008.

This report is intended solely for the information and use of the Board of Education, management, others within the District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan

BDO Serdman, LLP

October 3, 2008

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

99 Monroe Avenue N.W., Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

#### **Independent Auditors' Report**

Board of Education Ionia Public Schools Ionia, Michigan

#### Compliance

We have audited the compliance of Ionia Public Schools (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Ionia Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Ionia Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Ionia Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, others within the District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan

BDO Seedma, LLP

October 3, 2008

# Schedule of Expenditures of Federal Awards

Year ended June 30, 2008	Federal CFDA Number	Program or Award Amount	(Memorandum
Federal Grantor/Pass Through Grantor/Program/Project Number			
U.S. Department of Education			
Passed through Michigan Department of Education:			
Title I	84.010		
071530-0607	01.010	\$ 612,753	\$ 612,753
071520-0708		1,500	-
081530-0708		633,639	-
Title V LEA Allocation 080250-0708	84.298	5,448	
Title II, Part D - Technology Literacy Challenge	84.318		
074290-0607		6,543	6,543
084290-0708		6,554	-
Title IIA - Improving Teacher Quality 070520-0607 080520-0708	84.367	172,126 185,117	150,525
Total passed through Michigan Department of Education		,	

# **Schedule of Expenditures of Federal Awards**

Accrued (Deferred) Revenue at July 1, 2007	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 98,973	\$ 98,973 1,500 509,569	\$ - 1,500 616,397	\$ -
98,973	610,042	617,897	106,828
	5,448	5,448	
6,543	6,543 4,392	- 6,554	2,162
6,543	10,935	6,554	2,162
29,952	29,952 100,729	- 171,057	70,328
29,952	130,681	171,057	70,328
135,468	757,106	800,956	179,318

	Federal	Program or	Prior Year Expenditures
	CFDA	Award	(Memorandum
Year ended June 30, 2008	Number	Amount	only)
Federal Grantor/Pass Through Grantor/Program/Project Number			
Passed through Ionia County Intermediate School District:			
IDEA - Flow Through	84.027		
080450-0708		\$ 92,012	\$ -
IDEA - Transition	84.027		
080490-0708	04.027	1,706	-
D. 1.	04.242		
Perkins N/A	84.243	109,264	
Passed through Kent Intermediate School District: Drug Free Schools 082860-0708	84.186	11,512	
Total U.S. Department of Education			
U.S. Department of Agriculture Passed through Michigan Department of Education:			
National School Lunch	10.555	509,609	-
National School Breakfast	10.553	115,525	-
Entitlement Commodities	10.550	61,581	-
Bonus Commodities	10.550	-	-
Total U.S. Department of Agriculture			
Total Federal Financial Assistance			

# **Schedule of Expenditures of Federal Awards**

Accrued (Deferred) Revenue at July 1, 2007	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ -	\$ 92,012	\$ 92,012	\$ -
-	1,706	1,706	-
	109,264	109,264	
	202,982	202,982	
	-	8,764	8,764
135,468	960,088	1,012,702	188,082
-	509,609	509,609	-
-	115,525	115,525	-
(4,053) (252)	61,581	62,902 252	(2,732)
(232)		232	
(4,305)	686,715	 688,288	 (2,732)
\$ 131,163	\$ 1,646,803	\$ 1,700,990	\$ 185,350

# Note to Schedule of Expenditures of Federal Awards

#### **Note to Schedule of Expenditures of Federal Awards**

#### 1. General

Expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures in this schedule agree with financial reports and amounts reported in the basic financial statements.

Amounts reported in the Grant Section Auditors' Report reconcile with this schedule.

Inventory values are based on the USDA value for donated food commodities and include spoilage.

# **Schedule of Findings** and Questioned Costs

#### Schedule of Findings and Questioned Costs Year Ended June 30, 2008

#### Section I - Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

none reported

Noncompliance material to financial statements noted?

no

no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

none reported

Type of auditors' report issued on compliance for major programs:

unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133*?

no

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

10.553 & 10.555 Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes

#### Section II - Findings Related to the Financial Statements

There were no findings which are required to be reported under Government Auditing Standards.

#### Section III - Findings and Questioned Costs Federal Award

There were no findings or questioned costs.